

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 784 – SB 709**

February 25, 2011

**SUMMARY OF BILL:** Exempts from state and local sales tax solar panels purchased for any legitimate business purpose or commercial use.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact - \$336,000**

**Decrease Local Revenue - \$142,000**

**Assumptions:**

- The Department of Revenue (DOR) indicates, based on Energy Information Administration data, the total retail value of solar panels purchased for commercial use in Tennessee was approximately \$2,290,000 for 2009.
- Retail sales of solar panels purchased for commercial use in Tennessee for FY08-09 were approximately \$2,290,000.
- Based on research by the Fiscal Review Committee staff, the use of green energy has increased approximately 30 percent per year over last three years.
- Retail sales of solar panels for commercial use in Tennessee for FY11-12 are estimated to be \$5,031,130 ( $\$2,290,000 \times 130\% \times 130\% \times 130\%$ ).
- A state sales tax rate of 7.0 percent and an average local option sales tax rate of 2.5 percent.
- The recurring decrease in state sales tax revenue will be \$352,179 ( $\$5,031,130 \times 7.0\%$ ).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments are apportioned a 4.5925 percent share of all state sales tax revenue as state-shared sales tax revenue.
- The decrease in local government revenue as a result of reduced state-shared sales tax revenue will be \$16,174 ( $\$352,179 \times 4.5925\%$ ).
- The net recurring decrease in state revenue will be \$336,005 ( $\$352,179 - \$16,174$ ).
- The net recurring decrease in local government revenue will be \$141,952 [ $(\$5,031,130 \times 2.5\%) + \$16,174$ ].

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

/rnc